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INTRODUCTION

Saginaw County Prosecuting Attorney (PA) had a contract with the Michigan Family Independence Agency (FIA) to establish paternity and to obtain support orders for all cases where the Saginaw County PA had jurisdiction. The Saginaw County PA billed FIA monthly under the actual cost reimbursement billing method. FIA reimbursed Saginaw County PA for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Saginaw County PA for the period October 1, 1996 through September 30, 1997. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Saginaw County PA overbilled the FIA for some line items and underbilled for others. The State share of the net amount overbilled was \$836. (See Schedule A.)

Our report recommends the Family Services Administration initiate the process to recoup \$ 836 from the Saginaw County PA.

PA RESPONSE

The Saginaw County PA has reviewed all the findings and recommendations included in this report. They indicated in a letter dated December 27, 1999 that they are in general agreement

with the report, and have requested a waiver to exceed the 60 days of working capital allowed by OMB Circular A-87.

FINDINGS

Personnel - Pension Cost

1. The Saginaw County PA underbilled the FIA \$182 for pension costs because they used a lower rate of contribution than the rate of contribution specified in the Actuarial Cost Plan. (See Schedule A.)

Personnel – Social Security Tax

2. The Saginaw County PA underbilled the FIA \$77 for social security tax. (See Schedule A.)

Personnel – Employee Benefits Costs

3. Saginaw County PA overbilled the FIA \$192 for employee benefits. The employee benefits were accounted for in the County's Employee Benefits fund, an internal service fund. Attachment C, Section G, 2 of OMB Circular A-87 (A-87) limits the reserves in an internal service fund to sixty days of working capital. Saginaw County indicated the reserves in the internal service fund were made up of three components. The three components were: sixty days working capital, a \$1,050,000 reserve for losses that are not covered by reinsurance, and \$875,645 of reserves in excess of sixty days working capital that should be credited back to the departments. Saginaw County asked the Michigan Jobs Commission, in March of 1998, for an A-87 waiver for the reserve for losses. To date they have not received the waiver. The reserve for losses, therefore, is not in accordance with A-87. The PA share of the \$1,050,000 reserve is \$87. The County did credit the reserves in excess of sixty days working capital back to the departments in a subsequent fiscal year. The County did not, however, include the credit

on the billings to the FIA in the subsequent year. The PA share of the \$875,645 reserve is \$105. The total adjustment is \$192. (See Schedule A)

Other Direct - Liability Insurance (Risk Management) Cost

4. The Saginaw County PA overbilled the FIA \$ 1,217 for liability insurance costs that were included in other direct costs. The liability insurance costs were accounted for in the County's Risk Management fund, an internal service fund. Attachment C, Section G, 2 of A-87 limits the reserves in an internal service fund to sixty days of working capital. The reserves in the county's internal service fund exceeded the sixty-day working capital requirement. Saginaw County indicated the excess reserves had been credited back to the departments in the subsequent year. A review of the subsequent year, however, showed that the reserves were still in excess of the sixty-day requirement. After subtracting sixty days of working capital and the amount credited back in the subsequent year the excess reserves as of September 30, 1997 were calculated to be \$450,000. The PA share of that amount is \$1,217. (See Schedule A).

Personnel – Post Employment Benefits

5. Saginaw County did not account for its Post Retirement Health Benefits Fund as a trust fund in the accounting records. Rather, they included this fund in the internal services fund, although they had documentation that the monies were accumulated and deposited under a trust agreement. OMB Circular A-87 requires that for these costs to be billable the costs must be funded by the County and must be maintained in a trust fund or reserve by a trustee.

WE RECOMMEND the Family Services Administration initiate the process to recoup \$836 from the Saginaw County PA.

WE ALSO RECOMMEND the Family Independence Services Administration obtain documentation from Saginaw County PA that the Saginaw County Post Retirement Health Benefits Fund is properly placed in a trust fund or reserve, and is properly accounted for in the accounting records.

Finding #	Line Item	Year		(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Personnel	1997		\$ 182	100%	\$ 182		
2	Personnel	1997		\$ 77	100%	\$ 77		
3	Personnel	1997		\$ (192)	100%	\$ (192)		
4	Other Direct	1997		\$ (1,217)	100%	\$ (1,217)		
Grand Total of the IV-D Audit Adjustments						\$ (1,150)		
Calculation of the Payment Due the (State) County								
Audited IV-D Amount						\$ 377,744		
IV-D Amount Used for the Payments Actually Made						\$ (378,894)		
IV-D Audit Adjustment Due (State) County						\$ (1,150)	72.73%	\$ (836)